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National Intelligence Estimate

The Outlook for Mexico

Key Judgments

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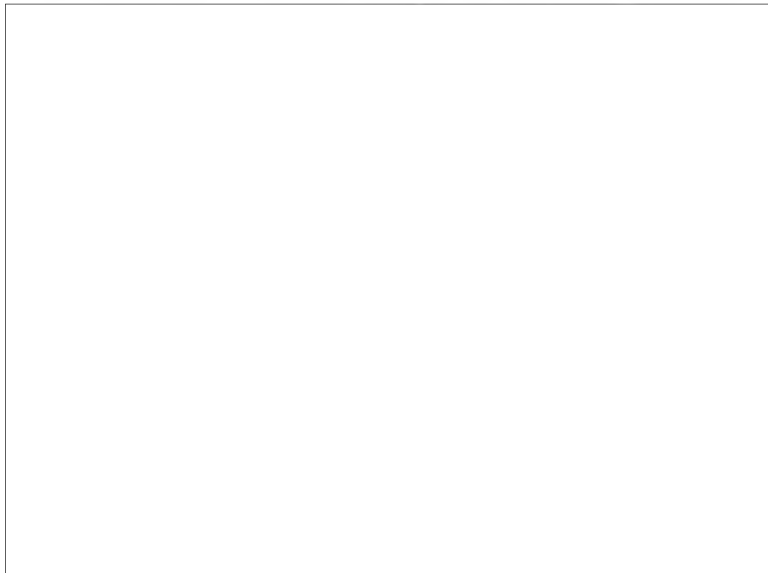
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NIE 81-84

THE OUTLOOK FOR MEXICO

KEY JUDGMENTS

The full text of this Estimate is
being published separately with regular distribution.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

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KEY JUDGMENTS

The Mexican political system is under greater stress today than at any time in the last 30 years. Ultimately, of course, the preservation of Mexico's stability will rest on the skill and competence of its leaders and on the strength of its political fabric. We judge that in the end the Mexican political system is likely to remain intact. But the majority of Intelligence Community principals also judge there is roughly a 1-in-5 chance that during the period of this Estimate—through the remainder of President de la Madrid's term, which ends in 1988, and the first few years after his successor is scheduled to take office—centrifugal forces now at work within the system, combined with internal political opposition and perhaps external pressure, will result in the political destabilization of Mexico.

Five Intelligence Community principals take issue with the above conclusion.¹ They believe that, while Mexico will experience increased political instability associated with extremely difficult social and economic problems, the probability that these conditions will reach the extreme of political destabilization during the period of this Estimate is remote. This view further holds that Mexico's leadership is keenly aware of these challenges and is taking forthright steps to meet them. The complete political destabilization of Mexico would require an extremely well-organized opposition with dedicated leaders capable of challenging one of the most durable and resilient political systems in Latin America. The holders of this view believe that there are few, if any, indications that such an opposition now exists or will develop within the time frame of this Estimate. They further believe that the employment of the probability schema in the Estimate may in effect rule out any middle ground between the two extremes focused on by these Key Judgments.

Despite these differences of opinion, we judge unanimously that in the coming years Mexico will suffer a series of incidents and crises stemming from the forces now at work within that country's society—incidents and crises which, in light of its proximity and importance to the United States, US policymakers will need to monitor closely to protect US vital interests.

¹ The holders of this view are the Director of Intelligence and Research, Department of State; the Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Staff for Intelligence, Department of the Air Force; and the Director of Intelligence, Headquarters, Marine Corps.

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During the last several years, Mexicans have grown increasingly dissatisfied with the [redacted] their highly centralized political system. As a result, the popularity and vitality of the ruling Institutional Revolutionary Party (PRI) have sharply diminished. Moreover, political leaders have been slow to adapt the PRI to the profound changes that have occurred in Mexican society. The two branches of the party that historically have been the most important—organized blue-collar labor and the peasants—have been shrinking in size relative to other social and interest groups. Meanwhile, most of the millions of people who have come from the countryside to fill the sprawling slums around all of Mexico's major cities—slumdweller now constitute between 20 and 25 percent of the population—may not have been effectively brought into the system. Thus the informal patron-client relationships that have helped glue the system together are in danger of breaking. Not surprisingly, opposition forces have gained strength.

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When he was inaugurated President in December 1982, Miguel de la Madrid inherited a crisis more encompassing than any since the late 1930s. Under conditions of harsh austerity, high unemployment and underemployment, double- or triple-digit inflation, widespread business failures, and a crippling shortage of capital, the economy in 1983 contracted by about 6 percent. Virtually all social and economic groups have had to accept declining standards of living, scale down their expectations, and compete for benefits and opportunities in a negative-sum economic environment. De la Madrid has struggled to preserve social equilibrium and to restore public confidence in the political system. In particular, he has worked to distance himself from [redacted]

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[redacted] President Lopez Portillo and other senior officials of the previous government. By pursuing an anticorruption campaign that has included the imprisonment of at least one former high official and revelations of abuses by others, and by projecting an image of fairness, competence, and probity, the President so far has provided generally effective and popular leadership.

De la Madrid's most striking success has been in engineering a turnaround in Mexico's international economic accounts. In a little over a year, austerity has brought spending in line with available resources, inflation has begun to decline, and some confidence in the government's policies has been restored. By slashing imports and public-sector expenditures, raising the real costs of most goods, and making other tough adjustments the regime has met most of the stabilization requirements of the International Monetary Fund (IMF). Interest is being paid

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on the more than \$85 billion foreign debt, and by the end of 1983 the current account surplus reached about \$4 billion. With some flexibility to increase imports of badly needed capital and intermediate goods, Mexico probably will be able to stem the decline in economic activity and may perhaps recover this year.

De la Madrid's impressive performance thus far has prevented an immediate unraveling of the system, but has not been sufficient to dissipate the long-term threat to Mexico's stability. Although many variables will be involved, *the outlook through this decade and into the early 1990s will be shaped largely by the interplay of the following factors.*

The most important is probably de la Madrid himself: his outlook, psychology, skills, and leadership qualities. Despite the President's performance thus far, questions about his political powers and leadership abilities remain. Moreover, the Mexican political system grants its president enormous power, with no clear successor should the incumbent die in office. Thus there is an inherent fragility in a system in which stability depends so heavily on the performance, and health, of just one individual.

The economy and labor will also be key. Economic growth almost certainly will be insufficient to create enough jobs for the burgeoning labor force. Resources probably will not be adequate to maintain traditional programs that have subsidized working-class groups and helped to keep them quiescent. Labor has suffered under austerity, and indefinite sacrifice is not likely. Thus, the President will increasingly have to make difficult trade-offs among economic objectives that will tend to alienate some politically important sectors while helping others. In the unlikely event that economic activity were to continue declining for another four or five years, the prospects for regime-threatening instability would rise significantly.

Conservative opposition forces generally will be more assertive. These forces are concentrated in the center-right National Action Party (PAN). We believe that the rise of opposition sentiment in the northern border region reflects the spectacular economic and demographic expansion there over the last decade or so, as well as dissatisfaction with the regime's economic policies and statist philosophy and tampering with election results. These trends have been paralleled, moreover, by indications of dissidence in Mexico's poor and underdeveloped southern states where Communist, radical, and other opposition groups are organizing.

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Meanwhile, *extreme leftist groups are also active*. Leaders of the Unified Socialist Party of Mexico (PSUM), a Communist-dominated coalition, reportedly have decided to increase their recruiting and organizational efforts in the southern-tier states closest to Central America. Working through radical peasant, student, and labor groups, the PSUM could generate increased support for its causes, but it will most likely pose smaller and more containable challenges than the rightwing opposition.

Cuba and the Soviet Union maintain contact with and provide funding and other support to local leftists and revolutionaries from Central America and elsewhere, but with few exceptions they have been reluctant to support committed revolutionaries who would employ violent methods against the Mexican regime. Nonetheless, if levels of instability were to rise in Mexico, we believe it would be more likely that Cuba and the USSR would expand their subversive activities, and it would be easier for them to do so.

As long as relative stability continues, the military would be disinclined to intervene in the political process. Such intervention would violate rules that have governed their behavior since the 1940s.

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any significant increase in instability or external threat, military involvement in the policy process would rise as more areas of governmental concern took on a security dimension.

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We are reasonably certain that some transformation of the Mexican political system is likely during the period of this Estimate.

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Whatever the true course of events, US political and economic interests will be affected substantially by conditions in Mexico during the period of this Estimate. The security of the US southern border depends on the continued existence of a stable, united, and peaceful Mexican neighbor. Other core interests [redacted]

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[redacted] the flow of illegal migrants and drugs into this country, the availability of Mexican petroleum, bilateral trade and investment relationships, and Mexico's continued willingness to make payments on its foreign debt—will be affected by Mexico's success in dealing with the challenges facing it.

US relationships with Mexico will remain complex, contentious, and cumbersome. Mexico's foreign policy—particularly its independent approaches to Central America and Cuba—will almost certainly continue as a source of friction in relations with the United States. We do not expect de la Madrid to abandon easily the foreign policy precepts that have been upheld by Mexican presidents for decades.

In sum, it is at this point impossible to predict Mexico's future with certainty or even with a high level of confidence. On the one hand, Mexico's 54-year record of stability, combined with de la Madrid's impressive performance thus far, lead us to conclude that the odds are strong that the centrifugal forces now at work within the country will in the end lack sufficient velocity to tear apart the system. On the other hand, there is concern and some evidence to suggest that these forces will intensify during the period of this Estimate, even to the point that the PRI and the political system will not be able to survive in their present forms.

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